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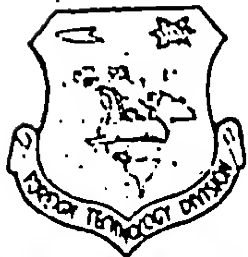
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BULLETIN



CHINESE DEFENSE-RELATED TECHNOLOGY
TRANSFER ORGANIZATIONAL STRUCTURE
AND IMPLEMENTATION (U)



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**CHINESE DEFENSE-RELATED TECHNOLOGY
TRANSFER ORGANIZATIONAL STRUCTURE
AND IMPLEMENTATION (U)**

Author: Stephen D. Williamson (TQTM)

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SUMMARY

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CHINESE DEFENSE-RELATED TECHNOLOGY TRANSFER ORGANIZATIONAL STRUCTURE AND IMPLEMENTATION (U)

Stephen D. Williamson (TQTM)

Keypoints (U):

A.1. Politburo and Central Committee of the Chinese Communist Party (U)

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(U) (U)
[EXEMPTION b1]
(U) (U)
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(U) In regard to the purchase of foreign technology and products, the Politburo and Central Committee probably are responsible for:

- (U) The fundamental decision to turn away from strict self-reliance and to import significant volumes of foreign goods and technology;
- (U) The decisions setting priority areas for modernization and the resultant priorities for imports;
- (U) The selection of key officials to head up the modernization drive and to oversee the implementation of the importation policies;
- (U) The decision regarding the "acceptable" degree of dependence upon foreign sources of supply; and,
- (U) The decision to get into debt to finance imports.

- (U) The Ministry of National Defense and the People's Liberation Army (PLA) determine the desirability of acquiring foreign materiel for use by various units of the PLA.

U (U) (U) Each of the defense industry components controls one or more specialized import-export corporations to acquire equipment and technology from foreign sources.

Discussion (U)

A. Organizational Structure for Technology Acquisition (U)

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A.2. State Council (U)

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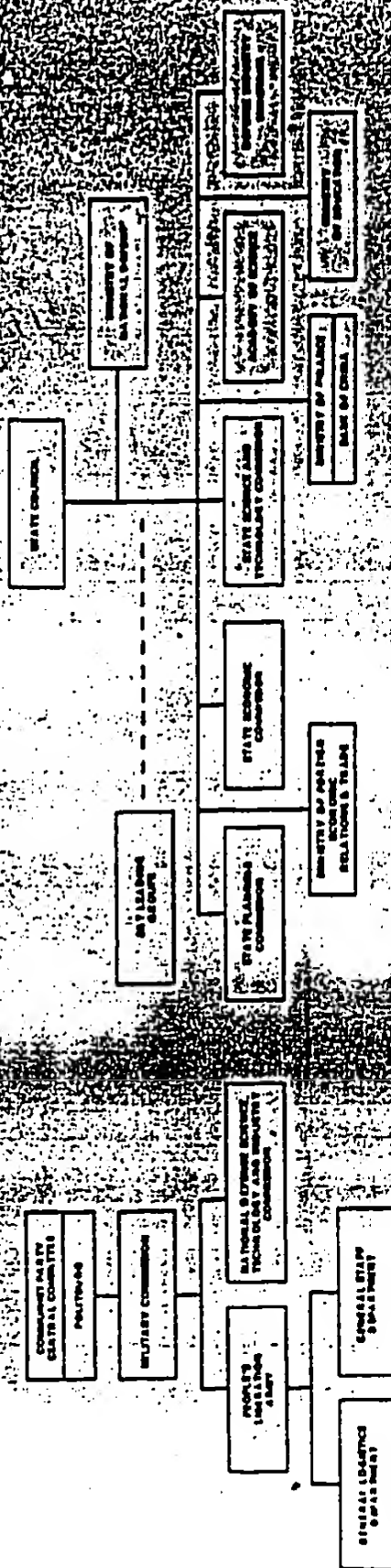


Fig. 1 (U) Key Organizations Involved in China's Technology Acquisition Program

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Fig. 2 (U) Chinese Domestic Organizations and Processes for the Acquisition of Foreign Technology

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(U) The SPC is the primary agency charged with preparing and executing mid- and long-range economic plans. It is responsible for the aggregation, coordination, and approval of plans developed by other major agencies (state ministries) and provincial and local planning elements.

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- (U) Establishing modernization priorities in their sector;
- (U) Deciding or recommending which specific technologies or equipment to import;
- (U) Paying for technology acquisitions; and,
- (U) Accepting and assimilating foreign technology.

A.6. Ministry of National Defense/People's Liberation Army (U)

(U) The Ministry of National Defense (MND) and the People's Liberation Army (PLA) have a variety of responsibilities for the selection, development, and production of weapons and materiel. These responsibilities include:

- (U) Identifying, planning, and anticipating requirements for specific types and quantities of weapons and materiel;
- (U) Levying requirements through channels upon the appropriate industrial sectors and organizations. Such requirements should involve design/development considerations, production quotas, or criteria for importation;
- (U) Monitoring, through on-site representatives, research, design engineering, production, and quality control activities for defense plants and R&D facilities;
- (U) Conducting materiel acceptance tests, both on-site at production enterprises and at PLA test facilities, ranges, and proving grounds;
- (U) Determining the desirability of acquiring foreign materiel for use by various units of the PLA.

(U) The above functions of the MND and PLA are conducted by and through staff and support elements of the Ministry, the General Staff Department (GSD) and the General Logistics Department (GLD) of the PLA, and the respective service arms. The GSD is the main element for exercising overall operational control over the PLA and its component service elements (e.g., air force, ballistic missile, engineer corps). In this capacity, the GSD reviews existing doctrine and strategy and formulates new strategic concepts that provide the framework for the PLA to conduct its mission. This function has significant implications for weapons and

A.3. Military Commission (U)

(U) The Military Commission of the Communist Party is the apex of China's military establishment. Members of the Commission deal with macro policy issues; their decisions set forth overall military goals and objectives and establish the framework for more detailed Ministry of Defense policies. The Military Commission is responsible for determining the role of imports in modernizing military capabilities in priority areas. Additionally, the Commission presumably reviews implementing steps taken by elements of the Ministry of National Defense and the People's Liberation Army.

A.4. National Defense Science, Technology and Industry Commission (NDSTIC) (U)

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A.5. The Defense Industrial Sector (U)

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materiel procurement and, therefore, the acquisition of foreign systems. The overall operational concepts formulated by the GSD serve as parameters for specific weapons procurement requirements. The nature of the requirements in turn may lead to the purchase of foreign equipment which the Chinese defense industries are unable to readily produce, or to force importation of new machinery in order to satisfy PLA materiel specifications. An "Armament Department" and an "Equipment Department" have been identified as sub-units of the GSD. These departments are believed to be involved in the requirements generation and procurement processes. Such organizations with involvement in either process would have an effect on China's purchase of foreign military technology.

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(U) The GLD has a widespread network that handles logistical and procurement matters down through each echelon of the PLA. The overall mission of the GLD is summarized as follows: "The General Logistics Department establishes logistical policy for the Chinese armed forces and supervises its implementation. At each successive level down to regiment, a rear services department serves as the supply and service component of the commanding military staff. Rear services departments coordinate and control all logistic support activity including procurement and storage of supplies, medical and veterinary care, transportation, quartering, finance and salvage."

A.8. Financing (U)

(U) (U)

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(U) The scope of the GLD's functions and the extensiveness of its apparatus permit it to interface with the technology acquisition program in several ways. Its effect on the acquisition of foreign products includes the following:

- (U) Buying, receiving, and storing foreign materiel;
- (U) Distributing imported goods among PLA units;
- (U) Approving or rejecting foreign machinery imported by defense industrial plants for use in the manufacture of PLA contracted systems or materiel;
- (U) Drafting weapons and materiel requirements in such a way that defense industrial plants are forced to modernize their equipment through the importation of foreign technologies or machinery; and,
- (U) Monitoring the quality of foreign purchases destined for PLA use.

A.7. Chinese Academy of Science (U)

B. Technology Transfer Program Implementation (U)

B.1. Defense Import-Export Corporations (U)

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TABLE I

(U) MAJOR CHINESE DEFENSE INDUSTRY-AFFILIATED TRADE ORGANIZATIONS

TRADE ORGANIZATION

DEFENSE INDUSTRY AFFILIATION

| | |
|---|--------------------------------------|
| (U) Nuclear Energy Industry Corporation | Ministry of Nuclear Industry |
| (U) Chinese Aero-Technology Import-Export Corporation | Ministry of Aeronautics Industry |
| [EXEMPTION b1] | |
| (U) Electronic Technology Import-Export Corporation | Ministry of Electronics Industry |
| (U) Northern Industries Corporation | Ministry of Ordnance Industry |
| (U) China State Shipbuilding Corporation | China State Shipbuilding Corporation |
| (U) Great Wall Industrial Corporation | Ministry of Aeronautics Industry |
| (U) Precision Machinery Import-Export Corporation | Ministry of Aeronautics Industry |
| [EXEMPTION b1] | |
| [EXEMPTION b1] | |
| (U) New Era Corporation (Nimahidai) | Various |
| [EXEMPTION b1] | |
| [EXEMPTION b1] | |
| (U) Polytechnologies Corporation | Various |
| (U) Baidi Corporation | PLA General Staff Department |
| [EXEMPTION b1] | |
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| (U) Pinghe Electronics Company | PLA Air Force |

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B.2. Ministry of Foreign Economic Relations
and Trade (U)

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TABLE II

(U) SELECTED NATIONAL IMPORT AND EXPORT CORPORATIONS UNDER THE CONTROL
OF THE MINISTRY OF FOREIGN ECONOMIC RELATIONS AND TRADE

| <u>CORPORATION</u> | <u>ACRONYM</u> | <u>AREA OF RESPONSIBILITY</u> |
|--|----------------|--|
| China National Instruments Import-Export Corporation | INSTRIMPEX | Computers, telecommunications equipment, radio and TV broadcasting equipment, navigation and positioning equipment, electronic test and measuring instrumentation, optronic devices, surveying equipment for both airborne and land applications, industrial and scientific control and analysis instrumentation |
| China National Machinery Import-Export Corporation | MACHIMPEX | Machinery, transport equipment, bearings, instruments, spareparts, electronic equipment, mining equipment |
| China National Technical Import Corporation | TECHIMPORT | Complete plants, spare parts for complete plants, patents, advanced technologies |
| China National Chartering Corporation | SINOCHART | Chartering vessels and booking shipping space |
| China National Chemicals Import-Export Corporation | SINOCHEM | Chemicals, rubber, petroleum, fertilizers, pharmaceuticals |
| China National Complete Plant Export Corporation | COMPLANT | Exports of complete plants, equipment, and spare parts |
| China National Foreign Trade Storage Corporation | | Storage of foreign trade commodities, container services, and exchange of storage technologies |
| China National Foreign Trade Transportation Corporation | SINOTRANS | Chartering, booking space, consolidating cargo, arranging customs clearance and cargo inspection |
| China National Light Industrial Products Import-Export Corporation | INDUSTRY | General merchandise, paper, toys, sporting goods, china, jewelry, and precious stones |
| China National Textiles Import-Export Corporation | CHINATEX | Textile yarn, fabrics, man-made and natural fibers, clothing, and hosiery |
| China National Metals and Minerals Import-Export Corporation | MINMETALS | Ferrous and nonferrous metals, ores, minerals, coal, cement, and hardware |

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B.3. Professional Societies (U)

(U) During the Cultural Revolution, Chinese professional societies and associations essentially ceased to function. However, by the early 1970's, these groups were being reconstituted, and their importance with

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respect to substantive S&T affairs is believed to be greater now than at any previous time. The principal reasons for these are twofold. First, in the aftermath of the Cultural Revolution, no functioning agency of the State Council was capable of coordinating national scientific and technical matters. At that time, responsibility for this national-level coordination defaulted to the SPC. The SPC adopted a practice of using the professional S&T societies as vehicles for S&T planning and coordination in the respective technical areas and disciplines. Next, as Chinese contacts with other nations increased in this period, the professional societies again were employed as a convenient and logical mechanism for S&T interaction.

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(U) Evaluation of foreign exhibits held in China;

(U) Participation in negotiations regarding purchases of plants by import-export corporations;

(U) Examination and establishment of terminology; and,

(U) Determination of themes for technical discussions.

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